

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: ECON, SP
SUBJECT: NEW VICE PRESIDENT REAFFIRMS ECONOMIC
STABILIZATION PROGRAM

1. AFTER A MONTH ON THE JOB, SECOND VICE PRESIDENT AND
MINISTER OF ECONOMY FERNANDO ABRIL MARTORELL HAS STRONGLY
AND BLUNTLY REAFFIRMED THE GOVERNMENT'S INTENTION TO KEEP
THE ECONOMIC BRAKES ON. IN A PRESS INTERVIEW MARCH 19
ABRIL SAID THAT THE GOVERNMENT WOULD NOT "YIELD TO THE
TEMPTATION TO PREMATURELY REFLATE THE ECONOMY," WHICH
WOULD JUST LEAD TO A NEW ROUND OF INFLATION. UNEMPLOYMENT
AND SLACK DOMESTIC PRIVATE INVESTMENT WERE INDEED SERIOUS
PROBLEMS BUT THERE WERE NO EASY SOLUTIONS. THE MINISTER
REITERATED THAT THE GOVERNMENT WOULD NOT REPEAT PAST
MISTAKES BY DIRECT INTERVENTION IN THE ECONOMY. SPAIN
HAD TO MOVE TO A FREE MARKET SYSTEM. THIS WAS DIFFICULT
TO ACHIEVE, BUT THE GOVERNMENT WAS INSTITUTING A SERIES
OF STRUCTURAL REFORMS AND WOULD TRY TO SEE THAT THE
SOCIAL AND ECONOMIC COSTS WERE BORNE EQUALLY BY ALL.

2. COMMENT: ABRIL MARTORELL'S STATEMENTS COME IN THE
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MIDST OF INCREASED PUBLIC AND PRIVATE QUESTIONING AND
COMPLAINTS ABOUT THE AUSTERITY PROGRAM; TOUCHED OFF BY
THE MAJOR SHIFT IN THE GOVERNMENT'S ECONOMIC TEAM.
UNEMPLOYMENT IS INCREASING AND THERE IS A GROWING SENSE
OF FRUSTRATION AMONG BUSINESSMEN AS THEY COME FACE TO
FACE WITH THE REALIZATION THAT A FUNDAMENTAL SWITCH TO
A MORE MARKET ECONOMY SYSTEM MEANS THAT THE DAYS OF

GOVERNMENT PROTECTION OF INEFFICIENT INDUSTRIES, PREFERENTIAL FINANCING AND QUICK AND HIGH PROFITS MAY BE OVER FOR GOOD. ABRIL IS SAYING THAT THE GOVERNMENT INTENDS TO STICK WITH ITS AUSTERITY PROGRAM, TO WHICH ALL POLITICAL PARTIES AGREED IN OCTOBER 1977. WHETHER THIS AGREEMENT WILL HOLD IN THE FACE OF NATIONWIDE MUNICIPAL AND PARLIAMENTARY ELECTIONS LATER THIS YEAR, AND THE NEED TO COMPETE FOR VOTES IN A FLEDGING DEMOCRATIC SYSTEM, WILL BE THE KEY ECONOMIC QUESTION IN THE MONTHS AHEAD. STABLER

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